

26 February 2009

BUY
RM1.27

Target Price: RM2.70

Hunza Properties

1H09 in-line
Stock data

Market cap (RMm):	187.1
Issued shares (m):	147.3
52-week range:	RM0.93-RM2.52
3-mth avg daily volume:	53,559
Bloomberg code:	HPB MK
YTD price chg:	0.0%
YTD KLCI chg:	2.3%
Est. free float:	31.0%
Major shareholders:	
<i>Dato' Dr Khor Teng Tong:</i>	53.4%
<i>Lembaga Tabung Haji:</i>	8.2%
<i>Yayasan Bumiputera</i>	7.4%
<i>Pulau Pinang Bhd:</i>	

KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

Consensus

FYE 30 Jun	2009E	2010E
Net profit (RMm):	32.7	42.8
EPS (sen):	21.4	28.0

Forecast revision

FYE 30 Jun	2009E	2010E
Prev. net profit (RMm):	25.9	31.4
Revision (%):	0%	0%
Revised net profit (RMm):	25.9	31.4

Share price chart

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- **1H09 net profit of RM12.4m met our expectations but came below consensus**, making up 48% of our FY09E net profit of RM25.9m and 38% of consensus' RM32.7m. Hunza Properties (Hunza) 2Q09 sales were anaemic at RM9m (RM19m in 1Q09); comprising of Infiniti and completed products (Alila, Bandar Putra Bertam, Sungai Petani). Take-up rates from their active projects, Gurney Paragon and Infiniti, remain flattish at 51% and 56%, respectively, as at 31/12/08 (50% and 54% as at 30/6/08).
- **YoY, 1H09 net profit plunge 57% YoY**. Minimal earnings recognition arising from Mutiara Seputeh (semi detaches) and Alila; most of these projects' significant progress billings were made in FY08. Furthermore, Gurney Paragon experienced slower progress billings due to contractors falling behind schedule on the foundation/basement works since last quarter.
- **High probability of recovering 'lost time' for Gurney Paragon**. Hunza has reactivated its 100% owned construction company, Masuka Bina Sdn Bhd, to undertake the super structure works as main contractor. This will enable better control over the progress of work. As at November 08, the group has invested RM3m in equipment and machinery. Hunza expect the foundation/basement works to be completed in May/June 09.
- **QoQ, 2Q09 pretax profit grew 29% to RM9.7m**. 1H09 contributions of RM9.7m (+77% YoY) from its profit sharing project, Infiniti, boosted earnings; mainly due to advanced progress works rather than increased take-up rates.
- **Maintain FY09E-10E net profit of RM25.9m-RM31.4m**, as it already reflects Gurney Paragon's earnings being pushed forward to FY10. FY09 earnings will mainly comprise of Infiniti, which is at advanced stages of construction. Management expects to complete Infiniti by end CY09. Unbilled sales of RM238.5m (31/12/08) provide earnings visibility for another 1.5-2 years.
- **Unchanged fair value of RM2.70**. Our valuations have accounted for slower earnings recognition from Gurney Paragon and softer future land values based on sum of parts RNAV. FY09-10E PERs of 7.2x-5.9x are trading cheaply versus peer averages of 7.8x-8.1x. Against its historical average PER of 6.8x, FY09E PERs are trading at 6% premium, while FY10E at a 27% discount. Hunza's PBV of 0.8x is in-line with peers and historical averages. **Maintain BUY**.

Results Highlights

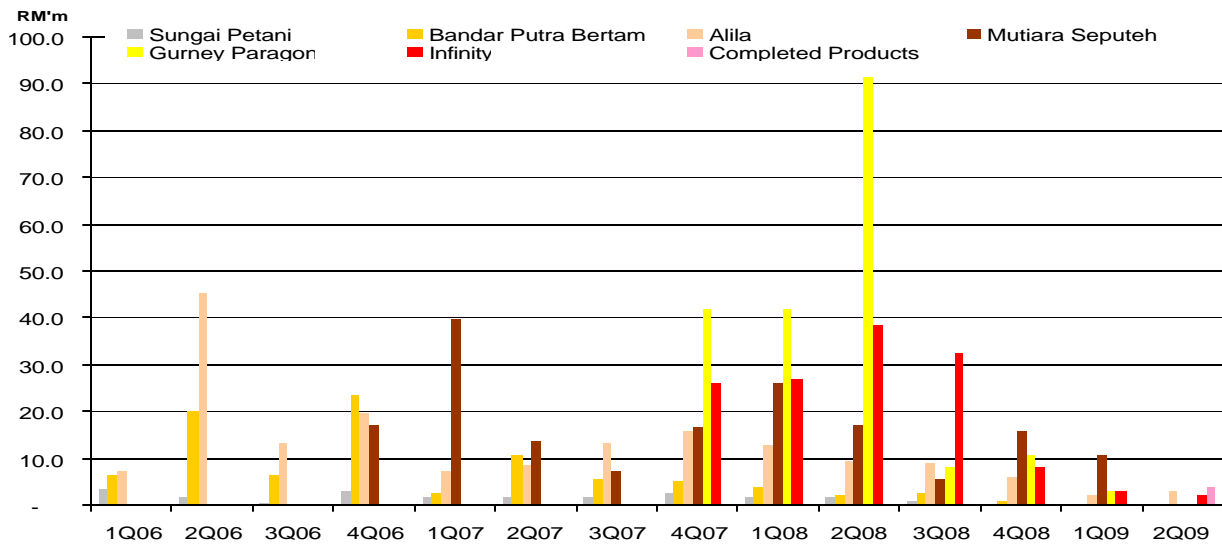
FYE: 30 Jun (RMm)	2Q08	3Q08	4Q08	1Q09	2Q09	±QoQ	±YoY	1H08	1H09	±Ytd
Revenue	70.1	54.1	53.3	25.2	24.7	-2%	-65%	137.8	49.9	-64%
Operating costs less depn/amort	(49.9)	(42.9)	(44.2)	(21.0)	(20.7)	-1%	-58%	(99.6)	(41.7)	-58%
Other Operating Income	0.8	0.3	0.5	0.6	0.8	35%	-4%	1.0	1.4	32%
Profit share from proj mgmt	2.2	3.5	7.0	3.8	5.9	57%	172%	2.2	9.7	-77%
EBITDA	23.2	15.0	16.6	8.6	10.6	24%	-54%	41.4	19.2	-52%
Net int inc/(exp)	(0.0)	(0.9)	(0.4)	(0.3)	(0.3)	-20%	6625%	(0.0)	(0.6)	5960%
Pretax profit	22.5	13.4	14.9	7.5	9.7	29%	-57%	40.0	17.2	-57%
Taxation	(5.8)	(3.7)	(4.7)	(2.1)	(2.6)	22%	-55%	(10.8)	(4.8)	-56%
Minority Interest	(0.2)	(0.0)	(0.0)	0.2	(0.3)	31%	102%	(0.5)	(0.1)	-87%
Net profit	16.6	9.7	10.1	5.6	6.8	20%	-59%	28.6	12.4	-57%
EPS (sen)	12.14	6.37	6.88	3.86	4.67	21%	-62%	21.06	8.53	-59%
Dil EPS (sen)	11.50	6.21	6.80	n.a.	n.a.			19.76	n.a.	
NTA/share (RM)	2.06	2.05	2.08	2.11	2.09	-1%	2%	2.06	2.09	2%
Net gearing (x)	0.3	0.3	0.4	0.3	0.3			0.3	0.3	
EBITDA margin	33.1%	27.8%	31.1%	33.9%	43.1%			30.0%	38.5%	
Pretax margin	32.1%	24.9%	27.9%	29.9%	39.2%			29.1%	34.5%	
Effective tax rate	25.7%	27.8%	31.5%	28.5%	27.0%			27.1%	27.7%	

Results Review

QoQ (RMm)	1Q09	2Q09	Chg	Comments
Revenue	25.2	24.7	-2%	Caused by Gurney Paragon's slower progress billings.
Pretax Profit	7.5	9.7	29%	Growth driven by 57% QoQ increase in profit sharing project (Infiniti) contributions to RM5.9m.

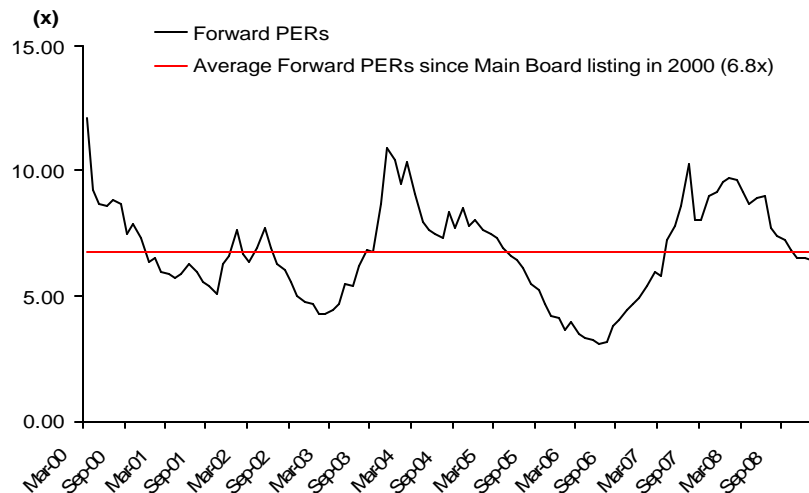
Ytd-YoY (RMm)	1H08	1H09	Chg	Comments
Revenue	137.8	49.9	-64%	Plunge caused by minimal earnings recognition of Alila and Mutiara Seputeh(semi-detached).
Net Profit	28.6	12.4	-57%	Slower take-up rates from Gurney Paragon and Infiniti due to poor sentiment in the luxury condominium segment.

Sales as at 31/12/08

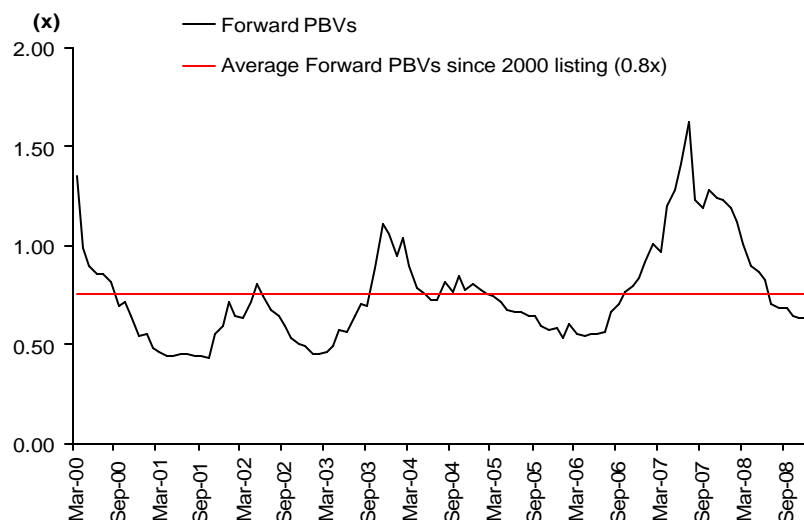


Source: Company, Kenanga Research

Forward PER



Forward PBV



Earnings Estimates

FYE: 30 Jun (RMm)	2007	2008	2009E	2010E	2011E
Revenue	190	245	105	143	154
Pretax profit	61	68	35	42	50
Net profit	39	48	26	31	36
Net profit growth (%)	99%	23%	-47%	21%	13%
Recur. Net Profit	36	47	26	31	36
EPS (sen)	26.8	32.9	17.6	21.4	24.2
EPS growth (%)	99%	23%	-47%	21%	13%
Diluted EPS (sen)	29.2	35.0	19.6	23.1	25.7
GDPS (sen)	9.1	12.3	7.5	7.5	7.5
NTA/ share (RM)	1.74	2.08	1.93	2.07	2.24
PER (x)	4.7	3.9	7.2	5.9	5.3
Diluted PER (x)	4.3	3.6	6.5	5.5	4.9
P/NTA (x)	0.7	0.6	0.7	0.6	0.6
EV/EBITDA (x)	4.6	4.0	7.5	6.2	5.3
ROE %	17.6%	17.2%	8.8%	10.6%	11.2%
Dividend Yield (%)	7.2%	9.7%	5.9%	5.9%	5.9%

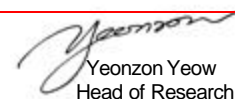
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Published and printed by:

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